WEEKLY MARKET COMMENTARY **January 3rd, 2012**

The Markets

"Much Ado About Nothing" is one of Shakespeare's famous comedies and, surprisingly, the title succinctly summarizes the U.S. stock market in 2011.

There was "much ado" during 2011 as we experienced one of the most volatile years on record. For example, regarding the S&P 500 index stocks, Bloomberg said, "Individual stocks were more volatile than in 2009 and 2010, with 55 losing more than 30 percent this year compared with a total of 13 in the prior two."

On top of that, "Stocks swung at a daily rate of twice the 50-year average after the S&P 500 reached a three-year high in April." After hitting that high in April, the S&P 500 then plunged 19 percent over the next five months. Continuing the whiplash, the market staged a remarkable comeback and that's where the "about nothing" comes in to play.

By the time the final trades were placed on December 30, the S&P 500 ended the year exactly where it started – and we mean exactly! It started the year at 1,257.6 and it ended the year at 1,257.6. Yet, during that time, it moved up or down a total of 3,240 points when you sum the absolute daily changes on a closing basis, according to The Chart Store via Ritholtz.com. So, after all the volatility, after all the worrying, the market ended the year right where it began. Whew!

Despite the year ending in a push, here are 10 newsworthy items that hit the headlines.

1. **Europe reached crisis mode.** Several European countries experienced severe budget problems including Greece and Italy while the dithering of European politicians kept markets on edge. The three main causes of the crisis were 1) excessive government spending leading to 2) excessive government debt coupled with 3) slow economic growth.
   Source: Anthony Sanders, Professor of Real Estate Finance at George Mason University, December 15, 2011

2. **Interest rates continued to fall.** The 10-year Treasury ended the year yielding below 2 percent and the 30-year yielded below 3 percent. On a total return basis, the 30-year Treasury jumped 35 percent in 2011, *which is higher than every stock in the Dow Jones Industrial Average!*
   Sources: *The Wall Street Journal*; *Barron's*

3. **The Middle East rose in protest.** Mass protests swept the Middle East, governments were overthrown, and the political landscape was dramatically reshaped. The reverberations will last for years.
Source: *The Economist*

4. **Apple and Steve Jobs were everywhere.** Apple was 90 days away from bankruptcy in the late 1990s, but through the magic of Steve Jobs, the company briefly became the world's most valuable company in 2011 – surpassing Exxon! The iPhone was the #1 most searched term on Yahoo! for the year. And, yes, Steve Jobs passed away from cancer at the much too young age of 56.
Sources: Bloomberg; Yahoo! News

5. **Japan was rocked with a massive earthquake and tsunami.** The devastating power of Mother Nature claimed more than 15,000 lives, shocked financial markets, and disrupted business around the world. The pain and scars of this tragedy will remain for many years.
Source: Bloomberg

6. **The U.S. credit rating got "dinged."** In August, Standard & Poor's downgraded the AAA credit rating of the United States due to political bickering and unsustainable budget deficits. The stock market promptly fell yet, surprisingly, interest rates ended the year at extremely low levels.
Source: Bloomberg

7. **Gold kept its luster.** Despite weakness at the end of the year, gold prices finished the year in positive territory for the 11th consecutive year. In times of uncertainty, investors have shown a preference for the yellow metal.
Source: *The Economic Times*

8. **Foreign stock markets took it on the chin.** Unchanged in the U.S. looks good compared to China, which fell 22 percent; Hong Kong, down 20 percent; Brazil, down 18 percent; Germany, down 14.7 percent; and Britain, down 5.6 percent. There's no place like home!
Sources: Associated Press via Yahoo! News; Bloomberg

9. **Burgers and banks were bookends.** The best performing stock in the Dow Jones Industrial Average in 2011 was McDonald's, which rose 31 percent. At the other extreme, Bank of America was the worst performer dropping 58 percent. Looks like a lot of people ordered an extra fry with that Big Mac.
Source: Associated Press via Yahoo! News

10. **"Planking" became a worldwide phenomenon.** Traced back to a 20-something Australian, planking involves lying face down on the ground with your arms at your side. The "trick" is to do it in unusual places or atop peculiar objects. The unrelated "fitness" version of planking also made headlines in 2011 when a 71-year-old Wisconsinite named Betty Lou Sweeney set a new Guinness World Record by holding an abdominal plank for an incredible 36 minutes and 58 seconds. What's even more incredible is in 2009 she was "severely overweight and nearly died

from complications from an infection that went septic and shut down her kidneys." Two years later and 100 pounds lighter, she set the world record. Yes, there's hope for all of us!
Source: Yahoo! News

Data as of 12/31/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.6%	0.0%	0.0%	11.7%	-2.4%	0.9%
DJ Global ex US (Foreign Stocks)	0.3	-16.7	-16.7	8.8	-5.2	4.5
10-year Treasury Note (Yield Only)	1.9	N/A	3.3	2.2	4.7	5.0
Gold (per ounce)	-2.1	11.6	11.6	22.1	19.9	19.0
DJ-UBS Commodity Index	-0.4	-13.4	-13.4	6.3	-3.3	4.7
DJ Equity All REIT TR Index	-0.3	7.5	7.5	20.8	-1.4	10.2

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

Weekly Focus – Think About It

"The bad news is time flies. The good news is you're the pilot."
--*Michael Altshuler, speaker, entrepreneur*

Financial Factoid – The S&P 500 closed Friday December 31st **2010** at a level of **1,257**.64. The S&P 500 closed Friday December 30th, **2011** at a level of **1,257**.60.

Mom-isms --- 3 things Mom always said – Don't break your arm patting yourself on the back. Don't make me get up! Don't cross your eyes, they'll freeze that way.

Best regards,

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Securities offered through LPL Financial, Member FINRA/SIPC.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
* The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market
* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.
* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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